

Message Text

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C O N F I D E N T I A L STATE 062960

EXDIS

E.O. 11652: XGDS-3

TAGS: EFIN, CH, US

SUBJECT: APPROACH TO PRCLO ON CLAIMS/ASSETS

REF: STATE 60108

1. ASSISTANT SECRETARY HOLBROOKE CALLED IN PRCLO DEPUTY CHIEF HAN HSU MARCH 17 TO DISCUSS THE CLAIMS/ASSETS QUESTION. COUNSELOR TSIEN TA-YUNG AND INTERPRETER YANG YU-YUNG ACCOMPANIED HAN.

2. HOLBROOKE PROPOSED TO HAN THAT BOTH SIDES AGREE TO TAKE THE AGREEMENT IN PRINCIPLE REACHED IN FEBRUARY 1973 AS THE STARTING POINT FOR A NEW EFFORT TO WORK OUT A SETTLEMENT WITHOUT REFERENCE TO THE SUBSEQUENT NEGOTIATING HISTORY. HOLBROOKE REVIEWED IN DETAIL THE BACKGROUND AND DISCUSSIONS LEADING UP TO THE AGREEMENT IN PRINCIPLE. HE STRESSED THAT OUR UNDERSTANDING OF THIS "PACKAGE DEAL" WAS CONFIDENTIAL

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THAT ALL OF THE BLOCKED CHINESE ASSETS WOULD BE AVAILABLE TO REIMBURSE THE US CLAIMANTS, JUST AS ALL PRIVATE US PROPERTIES LEFT IN CHINA WOULD BE USED TO SATISFY THE CHINESE CLAIMS. IN CONCLUSION, HOLBROOKE NOTED THAT IF THE

CHINESE UNDERSTANDING OF THE AGREEMENT IN PRINCIPLE IS THE SAME AS OURS, WE SHOULD HAVE A BASIS FOR REACHING A

SETTLEMENT. HE ASKED HAN IF THE PRC GOVERNMENT WAS PREPARED TO PROCEED ON THIS BASIS. DURING THE COURSE OF HIS PRESENTATION, HOLBROOKE STRESSED THE PERSONAL DESIRE OF THE PRESIDENT TO MAKE PROGRESS ON THIS ISSUE.

3. AMBASSADOR HAN'S RESPONSE WAS NONCOMMITTAL BUT NOT ENCOURAGING. HE FIRST ASKED IF THE US HAD ANY NEW PROPOSALS. HOLBROOKE REPLIED THAT THE CHINESE SHOULD TREAT AS A NEW PROPOSAL OUR SUGGESTION THAT WE GO BACK TO AN OLD PROPOSAL. HAN AFFIRMED THE CHINESE VIEW THAT THE ABSENCE OF A SETTLEMENT WAS NOT ATTRIBUTABLE TO THE CHINESE SIDE. HE NOTED THAT THE CHINESE POSITION WAS CONSISTENT, SAID HE HAD NO PROPOSALS TO OFFER, AND ADDED IT WAS UP TO THE US SIDE WHETHER THE MATTER WAS SETTLED. AT THE SAME TIME, HE AGREED TO REPORT THE US APPROACH TO PEKING AND INFORM US OF ANY RESPONSE. HOLBROOKE NOTED THE BENEFICIAL IMPACT ON US-PRC RELATIONS IF THIS ISSUE COULD BE RESOLVED AND REITERATED OUR INTEREST IN LEARNING THE CHINESE REACTION TO OUR PROPOSAL.

4. DURING FURTHER DISCUSSION, HOLBROOKE EMPHASIZED THE HIGH PRIORITY THAT THE PRESIDENT AND OTHERS IN THE ADMINISTRATION ATTACH TO OUR RELATIONS WITH THE PRC, WHICH WE HOPE TO CONTINUE ON THE BASIS OF THE SHANGHAI COMMUNIQUE. HAN RESPONDED BY STATING THAT IF BOTH SIDES STRICTLY ADHERE TO THE SHANGHAI COMMUNIQUE, RELATIONS BETWEEN US WILL CONTINUE TO DEVELOP; OTHERWISE, IT WOULD NOT BE BENEFICIAL FOR THE RELATIONS BETWEEN OUR TWO COUNTRIES (HAN WAS PROMPTED BY TSIENTO ADD THE WORD CONFIDENTIAL

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"STRICTLY"). HOLBROOKE NOTED THAT PRESIDENT CARTER ACCEPTED THIS VIEW AND HAD CONFIRMED THIS TO AMBASSADOR HUANG CHEN. ATMOSPHERE OF THE MEETING WAS CORDIAL.

5. FULL MEMCON WILL BE POUCHED TO YOU.

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